

## CENTRAL INTELLIGENCE AGENCY

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## INFORMATION REPORT

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(FOR KEY SEE REVERSE)

1. General.

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- a. The central planning authority of the Hungarian economy is the National Planning Office (Országos Tervhivatal), and its official publication, Bulletin for Planned Economy (Tervgazdasági Értesítő), lays down in detail all regulations and directives regarding the techniques of production planning. This bulletin is distributed to industrial enterprises throughout the country and serves as a basic document for drawing up of the enterprises' yearly plans.
- b. Each enterprise draws up the preliminary annual plan, or draft plan, on the basis of the yearly production envisaged for that enterprise by its controlling authority, usually the respective industrial directorate of the ministry concerned. At the same time the marketing department of the enterprise attempts to obtain details of the requirements in finished products for the coming year from the marketing directorate (Ertekesítési igazgatóság) of the ministry concerned. The two sets of figures must then be coordinated to allow the drafting of a compromise plan which will satisfy all concerned to some extent. Theoretically, detailed plans for the coming year's production should be drawn up in the first quarter of the preceeding year and forwarded to the ministry for approval in April, thereby enabling orders for raw materials to be placed in time. In practice, the draft plans are usually sent to the ministry in July or early August, where they are checked, altered, summarized, and forwarded to the National Planning Office. The planning office makes final alterations on the basis of resources in raw materials, export requirements, and quantities and categories of industrial products and consumer goods as dictated by the present policy. The final and approved plan then reaches the individual enterprise in December. However, most industrial enterprises, particularly engineering works, must place their orders for raw materials from three to twelve months in advance, i.e. when the draft plan is prepared. Since the approved plan usually differs considerably or totally from the draft plan, the entire production scheme is impaired or reversed; some of the materials

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previously ordered turn out to be superfluous while others unordered but now required prove to be unobtainable. The enterprise's management or its respective department heads are always made responsible for failure in fulfillment, and their objections to the delays and contradicting directives of the controlling authorities are almost never accepted.

- c. The overall yearly plan of an enterprise, as drawn up by its planning department in cooperation with those departments concerned, consists of the following separate plans:

- (1) Production plan (Termelési terv)
- (2) Financial plan (Pénzügyi terv)
- (3) Materials plan (Anyag terv)
- (4) Marketing plan (Ertékesítési terv)
- (5) Labor plan (Munkaügyi terv)
- (6) Technical development plan (Műszaki fejlesztési terv)
- (7) Preventative maintenance plan (Tervszerű Megelőző Karbantartási terv)
- (8) Training plan (Oktatási terv)
- (9) Transportation plan (Szállítási terv)

## 2. Production Plan.

- a. The production plan is based upon the figures supplied by the industrial directorate of the ministry. These figures include the total value in forint for the coming year's output and its division into those groups of articles to be produced. The technical and marketing departments of the enterprise work out in cooperation the detailed draft plan which contains quality and value of the coming year's volume of business and a breakdown of the article-groups listed by the ministry into types and models. This draft plan is then divided into quarterly plans, each of which details the articles and their values to be produced during each quarter of the year.
- b. The value of future production is calculated in two ways: the plan price, which represents the price as of August 1946 and which remains constant, and the current price. If certain articles were not in production in August 1946, their plan price is determined on the basis of a key-system which was devised for this very purpose. This process is one of the most complicated and dangerous responsibilities of the chief of the planning department, and the slightest error, accidental or premeditated, may result in the chief being imprisoned on charges of falsifying the plan. The current price of articles is calculated on a cost-plus system and must be approved by the finance department of the ministry's industrial directorate.
- c. The plan price is generally about 30 percent higher than the current price, the result of constant increases in norms with approximate corresponding cuts in prices of the products. In those few instances where the plan price is lower than the current price, the management of the enterprise attempts to slow or stop the production of such items, even if the latter are in demand or are urgently needed. In general, enterprises concentrate on production of such articles as are the least complicated and therefore most favorable from the point of view of fulfillment of the plan.
- d. The management of an enterprise usually postpones the fulfillment of orders for complicated articles, such as for the machine and machine tool industry, so long as there is no danger of trouble from superior authorities. While the ministry to which the customer is responsible may intervene with the ministry to which the enterprise is responsible, its industrial directorate is usually a silent ally. The directorate's sole interest is to see that the plans of its enterprises are fulfilled, and it does not place any particular emphasis on what is or is not in the national interest. This attitude is encouraged by the fact that the directorate designates only the general

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article-groups, while the enterprise itself determines the detailed breakdown of the article groups.

### 3. Financial Plan.

The financial plan, drawn up by the enterprise's finance department or its chief accountant, includes the total capital requirements for the fulfillment of the production plan. It specifies the money needed for raw materials, wages, maintenance of equipment, new investments, and cultural expenses. In accordance with directives, a parallel plan for lowering production costs is also drawn up, but such plans remain paper ones because of the constant confusion in supply of raw materials, transportation, and unsatisfactory production methods. In most cases, the much publicized overfulfillment of norms is attained by using better and more expensive raw materials and by overloading machinery.

### 4. Materials Plan.

a. The materials and goods department of the enterprise draws up the materials plan on the basis of the production plan, and it consists of the following sub-plans:

- (1) Basic materials plan (Alapanyag terv)
- (2) Auxiliary materials plan (Segedanyag terv)
- (3) Fuel plan (Tüzelőanyag terv)
- (4) Machinery plan (Gépmintaanyag terv)
- (5) Instruments plan (Műszer szükségleti terv)
- (6) Built-in instruments plan (Beépítésre kerülő műszerek terv)
- (7) Waste materials plan (Hulladék és mellék termék begyűjtési terv)
- (8) Storage plan (Raktározási terv)
- (9) Balance of iron and steel castings (Szürke és acélöntvény mérleg)
- (10) Balance of forged steel mouldings (Kovácsolt acélidomok mérlege)
- (11) Cooperation plan (Köoperációs terv)

b. The basic materials plan consists of separate sections covering all types of materials used in actual manufacture: rolled steel (rods and sheets), metals (copper, brass, lead, aluminum, and aluminum alloys), wood (planks, plywood, and hardwood), and chemicals. Before 1952 technical experts compiled these figures on the basis of their past experience in the manufacture of such products. After 1952 all enterprises were instructed to draw up technical norms (Műszaki norma) or materials norms (Anyag norma) to comprise all materials needed to produce each article, including ready-made parts received from other enterprises. These norms listed the gross weight of the product (the total of all listed materials required for its manufacture), its net weight (the actual weight of the finished product), and the quantity and weight of the waste. However, since the authorities could not supervise effectively the norms thus calculated, the National Planning Office ordered that indices of industrial norms, the so-called "Normativa", be drawn up. These average norms are calculated by dividing the quantity of the material by the total number of pieces to be made:

<u>Meat mincers</u>		<u>"X" steel</u>	
Quantity to be produced	Type	Quantity required	Total
50	AB 33	1 kg	50
30	AB 34	1 kg	30
<u>100</u>	AB 35	3 kg	<u>300</u>
180			380 kg

The "Normativa" of "X" steel for meat mincers is 2:1.

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- c. The basic materials plan is drawn up on separate forms for the entire year and the four quarters and is based on the norms of materials and the "Normativa". Each material has a number and plan price listed in the Universal Price List (Egyeséges Árulista), a 5-volume publication of the National Planning Office. The basic materials plan is accompanied by a second plan which reflects the enterprise's actual requirements in materials, derived by subtracting from the basic materials plan those quantities of materials in stock at the beginning of the plan year.
- d. The auxiliary materials plan comprises all materials required by the enterprise to maintain its equipment and those used in production but which have not been incorporated into the list of basic materials of the specific product. The competent directorate of the Ministry to which the enterprise is subordinate fixes the exact norms of auxiliary materials, which may be expressed either as X quantity of Y material for making Z products or X quantity of Y material for making articles valued at 1,000 forint.
- e. The fuel plan comprises exact details of the factory space, number of calories required for heating and the corresponding quantities of fuel, gasoline and oil requirements for the enterprise's vehicles, and the electric power to be consumed during the plan year.
- f. The machinery plan applies to any enterprise which uses another enterprise's machines in its products, such as motors for meat mincers. It is included in the general materials plan because such machines are components of the manufactured article.
- g. The instruments plan lists the enterprise's requirements in tools and instruments to meet the production plan.
- h. The built-in instruments plan applies to any enterprise which uses another enterprise's articles in its products, such as fittings, gauges, and instruments.
- i. The waste materials plan, based upon the basic materials plan, reflects primarily the wastage between the article's gross and net weight, but includes also such materials as waste paper, waste oil, and rags.
- j. The storage plan lists in detail the available storage space for raw materials and finished products.
- k. The balance of forged steel mouldings shows the enterprise's requirements in forged steel mouldings of different weights, expressed in limits of 1-5, 5-25, 25-50, 50-100, and over 100 kilograms.
- l. The balance of iron and steel castings is drawn up in the same manner as the balance of forged steel mouldings.
- m. The cooperation plan specifies the enterprise's requirements according to the categories of raw materials as supplied by such specific groups of suppliers as foundries, rolling mills, and import companies.

##### 5. Marketing Plan.

The commercial department of the enterprise compiles the marketing plan. The yearly production plan is divided into quarterly and monthly periods, and the sale of finished articles is expressed in quantity and value in forints, according to categories and types.

##### 6. Labor Plan.

The labor plan is based on each worker's production capacity per hour and gives the enterprise's specific requirements in manpower. The industrial directorate

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of the competent Ministry determines the manpower limits in accordance with planned production figures, and the enterprise can plan its distribution of manpower only within the given limits. The labor plan includes such employees as apprentices and office workers.

7. Technical Development Plan.

The technical development plan lists details of planned investments which would increase productivity and decrease production costs. It is of interest that the production plan takes into consideration these planned investments. If planned investments are not realized, existing machinery must be overloaded, even at the risk of ruining it, to reach the planned production figures.

8. Equipment Maintenance Plan.

The equipment maintenance plan is the responsibility of the chief technician and of the enterprise's maintenance department. This plan specifies the possible renewals, alterations, and repairs which will have to be made on existing machinery during the plan year.

9. Training Plan.

The training plan, drawn up by the chief of the enterprise's personnel department, lists details of planned professional training courses, number of participants, training of unskilled workers, transfer of workers from one production line to another, ideological courses for the staff, and costs for planned training.

10. Transportation Plan.

The transportation plan specifies the enterprise's requirements in transport facilities for both incoming and outgoing materials.

11. Priorities.

a. Engineering factories are required to specify the destination of their finished products as follows:

- (1) Heavy industry, power stations, shipyards, and railways
- (2) Export orders
- (3) Ministry of Defense
- (4) Essential products for home consumption
- (5) Other products

b. Raw materials allocated to factories whose products are destined for the first three categories must be handled separately, and they must be used only in those products. The separate plan for others of the Ministry of Defense is handled by a special section for confidential matters of the competent Ministry. When there is a shortage of raw materials, factories must concentrate their production for the first three categories, and other production must be postponed until the plan for these three has been fulfilled.

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